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Brazil

Grain and Feed

An Interesting Year Ahead for Wheat Traders

2006

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Report Highlights:
Reductions in Brazilian and Argentine wheat production lead traders to look to the United States and Canada for sources of wheat. Estimates of need for wheat sourced from outside Mercosul range from 1 to 2.5 million mt.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Brasilia [BR1]
[BR]

This year's Brazilian wheat production has been severely reduced by a combination of drought and hard frosts at the end of August and beginning of September. New data released by the Ministry of Agriculture's National Food Supply Company (CONAB) on October 5 estimates that Brazilian wheat production is a mere 2.4 million tons (mmt) this year. As a result, Brazil will need to import around 7.5 mmt of wheat in the coming season (October/September). However Brazil's usual source of wheat, Argentina, has lower than expected production this year. The Argentine government's threats to stop wheat exports led traders to register exports early. By September 29, export registrations had exceeded the expected exportable supply, and the government ended export registrations. Some of this wheat is already committed, and some is expected to go to destinations outside of Mercosul. This is leading many wheat traders to begin looking outside of Mercosul for sources of wheat. Estimates of how much wheat will need to come from outside sources range from 1 mmt to 2.5 mmt. Those on the low end of this range site the historical tendency for people to declare a lack of wheat in Argentina, only to have the Argentine farmers start exporting wheat out of the bags sitting in their fields when the price is attractive enough. Wheat sourced from outside Mercosul must pay the 10 percent Common External Tariff (CET) and, if sent anywhere other than the northeast of Brazil, a 25 percent merchant marine tax on freight. The Brazilian wheat industry is currently lobbying the government for a temporary elimination of the CET. Shipments would likely occur between May and August of 2007. Three years ago, Ukraine exported some wheat to Brazil but ran into phytosanitary problems. As a result, the only countries currently mentioned as possible sources are the United States, Canada and Poland. While Canada is expected to win the majority of the sales, there is a possibility for several hundred thousand tons of wheat to be sourced from the United States.

Wheat

Brazil							
Wheat							
	2004		2005	Estimate	2006	Forecast	UOM
	USDA Official []		USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	2756	2756	2360	2361	1800	1750	(1000 HA)
Beginning Stocks	508	508	1349	1349	722	802	(1000 MT)
Production	5845	5845	4873	4873	3500	2441	(1000 MT)
TOTAL Mkt. Yr. Imports	5211	5211	6200	6300	6800	7500	(1000 MT)
Jul-Jun Imports	5309	5309	6194	5896	6800	7500	(1000 MT)
Jul-Jun Import U.S.	55	55	0	39	0	200	(1000 MT)
TOTAL SUPPLY	11564	11564	12422	12522	11022	10961	(1000 MT)
TOTAL Mkt. Yr. Exports	15	15	800	820	25	25	(1000 MT)
Jul-Jun Exports	14	14	771	771	25	75	(1000 MT)
Feed Dom. Consumption	300	300	700	600	200	200	(1000 MT)
TOTAL Dom. Consumption	10200	10200	10900	10900	10600	10400	(1000 MT)
Ending Stocks	1349	1349	722	802	397	318	(1000 MT)
TOTAL DISTRIBUTION	11564	11765	12422	12219	11372	11194	(1000 MT)